

## AMENDMENTS TO THE CLAIMS

This listing of claims will replace all prior versions, and listings, of claims in the application.

1. **(Previously Presented)** A method for calculating the optimum value of an intellectual asset comprising the steps of:

- a. determining the contribution of profit to intangible assets;
- b. deleting the contribution of assets other than intellectual assets from this contribution;
- c. deriving a base royalty rate from the difference.

2. **(Previously Presented)** The method of claim 1, wherein the contribution to profit of intangible assets is based on publicly available [or private company] information.

3. **(Amended)** The method of claim 1, wherein the contribution to profit of the intangible assets is based on industry average [(or median)].

4. **(Previously Presented)** The method of claim 1, wherein the contribution of profit of intangible assets is calculated by first calculating the average cost of capital.

5. **(Amended)** The method of claim 4, wherein [the] a weighted average of cost of capital (WACC) is derived using the following formula:

$$WACC = E(Ri) + D(Ri) = Rf + B \times E(Rp) + ix(l-t)$$

where

$E(Ri)$  = expected rate of return for equity investors

$D(ri)$  = expected rate of return for debt investors

$Rf$  = risk free rate of return

$B$  = beta or systematic risk

$E(Rp)$  = expected risk premium

$t$  = effective federal and state tax rate.

6. **(Amended)** The method of claim [4] 5, wherein the weighted average of cost of capital (WACC) is inserted into the following formula:

$$WACC = (Vm/Vbev)Rm + (Vt/Vbev)Rt + (Vi/Vbev)Ri$$

where

$Rm$  is the return on monetary assets,

$Rt$  is the return of tangible assets,

$Ri$  is the return on intangible assets,

$Vm$ ,  $Vt$ , and  $Vi$  are the fair market values of the monetary, tangible, and intangible assets, respectively, and

$Vbev$  is the fair market value of the business enterprise, which is the total of  $Vm$ ,  $Vt$  and  $Vi$ .

7. **(Amended)** The method of claim 6, wherein [the] a weighted return on intangible assets is  $Riw$ , and is calculated as:

$$Riw = (Vi/Vbev)Ri = WACC - (Vm/Vbev)Rm - (Vt/Vbev)Rt.$$

8. **(Amended)** The method of claim 6, wherein [the] an unweighted return on intangible assets is  $Ri$ , and is calculated as:

$$Ri = \frac{WACC - (Vm/Vbev)Rm - (Vt/Vbev)Rt}{(Vi/Vbev)}.$$

9. **(Amended)** The method of claim 7, wherein the contribution to profits of intangible assets (CPIA) is calculated based on debt free net income, which is expressed as:

$$DFNI: DFNI = NI + InterestExpense(1-tax),$$

And wherein the CPIA is [express] expressed as a percentage, as follows:

$$CPIA = \frac{(Riw/WACC)(DFNI)}{Sales}.$$

10. **(Amended)** The method of claim 1, wherein the contribution to profit of intellectual assets (CPIPIA) is calculated by subtracting [the] an industry average [(or median)] distributor CPIA from the CPIA value for a given firm.

11. **(Amended)** The method of claim 1, wherein the contribution to profit of intellectual assets (CPIPIA) is calculated by subtracting [the] an industry average [(or median)] distributor CPIA from the average [(or median)] manufacture CPIA for a given industry.

12. **(New)** The method of claim 1, wherein the contribution to profit of the intangible assets is based on industry median.

13. **(New)** The method of claim 1, wherein the contribution to profit of intangible assets (CPIPIA) is calculated by subtracting an industry median distributor CPIA from the CPIA value for a given firm.

14. **(New)** The method of claim 1, wherein the contribution to profit of intangible assets (CPIPIA) is calculated by subtracting an industry median distributor CPIA from the median manufacturer CPIA for a given industry.

15. **(New)** The method of claim 1, wherein the contribution to profit of intangible assets is based on private company available information.